

PUBLIC DISCLOSURE

September 27, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SouthEast Bank
Certificate Number: 57348

12700 Kingston Pike
Farragut, Tennessee 37934

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Dallas Regional Office

600 North Pearl Street, Suite 700
Dallas, Texas 75201

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Substantial Noncompliance**.

An institution in this group has a substantially deficient record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Needs to Improve.

- The loan-to-deposit (LTD) ratio is more than reasonable, given the institution's size, financial condition, and economic conditions.
- Overall, the institution made a substantial majority of its loans outside its assessment areas (AAs). This performance factor was the majority contributing factor in determining the overall Lending Test rating due to limited level of lending in the assessment area for the bank's primary lending focus and the continued weak performance since the previous evaluation.
- The geographic distribution reflects reasonable dispersion within the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this factor did not affect the Lending Test.

The Community Development Test is rated Satisfactory.

SouthEast Bank's (SEB's) community development (CD) performance demonstrates adequate responsiveness to CD needs in its AAs through CD loans (CDLs), qualified investments (QIs), and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunity for CD in the AAs.

Discriminatory or Other Illegal Credit Practices

The FDIC identified a violation of the Equal Credit Opportunity Act, which is implemented by Regulation B. The violation was discriminatory in nature and based on these findings, the CRA Rating was downgraded from a Needs to Improve to a Substantial Noncompliance.

DESCRIPTION OF INSTITUTION

SEB is a full-service community bank headquartered in Farragut, Tennessee. SouthEast Bancorp, Inc. wholly owns SEB. The bank has no subsidiaries but does have an affiliate relationship with Educational Services of America, Inc. SEB received a "Satisfactory" rating at its previous FDIC

Performance Evaluation, dated August 20, 2018, based on Interagency Intermediate Small Institution Examination Procedures.

SEB operates 14 full-service offices throughout eastern and middle Tennessee in the following counties: Bradley, Hamilton, Knox, Loudon, McMinn, Meigs, Putnam, and Rhea. During the evaluation period, SEB opened two full-service branches located in Chattanooga, Tennessee on January 23, 2019, and Knoxville, Tennessee on July 29, 2019. The bank also closed a limited-service facility in Ten Mile, Tennessee on February 15, 2019. No mergers or acquisitions occurred since the prior evaluation.

SEB, as well as the holding company's parent company, specialize in student lending. The primary business focus is on student lending followed by commercial and residential real estate. The student loan portfolio primarily consists of Education Loan Financing (ELFI) loans. SEB launched the ELFI division in 2015, to provide low-cost student loan refinancing options to borrowers in all 50 states as well as the District of Columbia and Puerto Rico. The bank offers a variety of other loan products including mortgage, construction, commercial, agricultural, home equity, credit cards, vehicle, and other personal loans to meet local area credit needs. The bank also provides a variety of deposit services including checking, savings, and time deposits. Other account products and services include safe deposit boxes and electronic statements as well as an investment advisory service. The institution maintains banking hours typical for its AAs and the industry. Alternative banking services offered include online banking, bill-pay, mobile banking, person-to-person transfers, telephone banking, remote deposit capture for business accounts, and 14 deposit taking automated teller machines (ATMs).

As of June 30, 2021, the bank reported total assets of \$2.2 billion, total loans of \$1.9 billion, and total deposits of \$2.0 billion. Net loans and leases comprise the majority of total assets. The following table details the mix of outstanding loans as of June 30, 2021. Consumer loans constitute the largest percentage of outstanding gross loans at 63.6 percent due to the total dollar volume of student loans. The second largest percent of outstanding gross loans are commercial loans at 19.6 and includes commercial real estate loans.

Loan Portfolio Distribution as of 6/30/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	139,780	7.4
Secured by Farmland	5,908	0.3
Secured by 1-4 Family Residential Properties	148,211	7.9
Secured by Multi-family (5 or more) Residential Properties	23,079	1.2
Secured by Non-farm Non-Residential Properties	256,618	13.7
Total Real Estate Loans	573,596	30.5
Commercial and Industrial Loans	110,458	5.9
Agricultural Production and Other Loans to Farmers	438	0.0
Consumer Loans	1,198,043	63.6
Obligations of States and Political Subdivisions in the U.S.	246	0.0
Other Loans	1,722	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	1,310	0.1
Total Loans	1,883,193	100.0
<i>Source: Report of Condition and Income (6/30/2021)</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet AA credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to define one or more AAs within which to evaluate CRA performance. SEB designated five AAs: 1) Chattanooga Metropolitan Statistical Area (MSA) AA, 2) Cleveland MSA AA, 3) Knoxville MSA AA 4) Middle Tennessee Non-MSA AA, and 5) Southeast Tennessee Non-MSA AA.

The AAs have not changed since the prior evaluation. Examiners combined the Non-MSA AAs for this evaluation. Each AA conforms to the technical requirements of the CRA and do not arbitrarily exclude low- or moderate-income (LMI) neighborhoods.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs*	# of Branches
Chattanooga MSA	Hamilton	82	2
Cleveland MSA	Bradley	19	1
Knoxville MSA	Knox and Loudon	122	5
Combined Non-MSA	McMinn, Meigs, Putnam, and Rhea	34	6
<i>Source: Bank records</i>			
<i>*Census tracts (CTs)</i>			

Refer to the individual AAs for more details.

SCOPE OF EVALUATION

General Information

Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate the CRA performance for the period from the previous evaluation dated August 20, 2018, to the current evaluation dated September 27, 2021. These procedures include the CRA Small Bank Lending Test and the Community Development Test, as described in the Appendices.

Examiners performed a full-scope review of the Knoxville MSA AA and the Combined Non-MSA AAs after considering the portion of the institution's lending and deposit activity as well as the number of branches in these AAs and upon contemplating all outstanding guidance. Examiners also performed a full-scope review of the Cleveland MSA AA since a full-scope review has not been performed on this AA at either of the two previous evaluations. Examiners performed a limited-scope review on the Chattanooga MSA AA since a full-scope was completed on this AA at the prior examination.

Examiners evaluated lending data, deposit volume, and number of branch offices to determine relative weighting of the rated areas and AAs in overall conclusions. A significant majority of lending, deposit activity, and the branch network are in the Knoxville MSA AA. Consequently, examiners gave primary weight in assigning the overall rating and conclusions to performance in this AA. The following table details the loans, deposits, and branches by rated area and AA.

Assessment Area Breakdown of Loans Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	\$(000s)	%
Chattanooga MSA	32,125	26.5	157,381	9.6	2	14.3
Knoxville MSA	52,340	43.1	671,876	40.8	5	35.7
Cleveland MSA	9,217	7.6	128,462	7.8	1	7.1
Combined Non-MSA	27,689	22.8	687,496	41.8	6	42.9
Total	121,371	100.0	1,645,215	100.0	14	100.0
<i>Source: Bank data, 2020 Home Mortgage Disclosure (HMDA), and FDIC Summary of Deposits (6/30/2020)</i>						

Activities Reviewed

For the Lending Test, examiners reviewed and analyzed consumer, specifically student loans, small business loans, and home mortgage loans. Examiners selected these products based on the bank's business strategy and the number and dollar volume of loans originated and purchased since the prior evaluation. Please see the glossary for definitions of the loan types.

The record of originating and purchasing student loans contributed more weight in forming conclusions for the AA concentration due to the larger volume when compared to small business and home mortgage lending during the evaluation period.

The following table shows the originations over the most recent calendar year by loan type.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	154,799	15.9	276	3.0
Secured by Farmland	1,028	0.1	4	0.0
Secured by 1-4 Family Residential Properties	59,356	6.1	339	3.7
Multi-Family (5 or more) Residential Properties	15,397	1.6	5	0.1
Commercial Real Estate Loans	66,603	6.9	68	0.7
Commercial and Industrial Loans	69,182	7.1	615	6.6
Agricultural Loans	115	0.0	4	0.0
Consumer Loans	4,520	0.5	262	2.8
Student Loans	594,969	61.2	7,728	83.1
Other Loans	5,402	0.6	1	0.0
Totals Loans	971,371	100.0	9,302	100.0
<i>Source: Bank data (1/1/2020 through 12/31/2020)</i>				

Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. In response to the COVID-19 Pandemic, the bank offered deferral, modification, and other loan options to assist bank customers. The increase in small business lending in 2020 was primarily due to the participation in the Payment Protection Program (PPP). In 2020, the United States government established the Coronavirus Aid, Relief, and Economic Security Act and implemented the PPP through the Small Business Administration to offer economic relief to small businesses adversely impacted by the COVID-19 Pandemic. In 2020, the bank originated 397 PPP loans, in amounts of \$1 million or less, totaling approximately \$24.3 million.

Examiners reviewed all 19,701 student loans totaling \$1.4 billion originated from January 1, 2018, through December 31, 2020. The percent of households from the 2015 American Community Survey (ACS) provided the standard of comparison for the level of student lending.

The CRA evaluation also included an analysis of small business loans. During the period from January 1, 2018, through December 31, 2020, the bank originated 1,575 small business loans totaling \$205.5 million. Examiners used the 2018, 2019, and 2020 D&B data for comparison.

SEB is subject to HMDA and, as such, is required to collect and report certain data for applications for home purchase, home refinance, and home improvement loans. Therefore, this evaluation also includes an analysis of the bank's HMDA loans originated from January 1, 2018, through December 31, 2020. During this time, the bank originated 743 HMDA loans totaling \$217.5 million. Examiners used the 2015 ACS percentage of owner-occupied housing units by geography, the 2015 ACS percentage of families by income level, and 2018, 2019, and 2020 HMDA aggregate data for comparison purposes.

The record of originating student loans contributed more weight in forming conclusions for the AA Concentration due to the larger volume when compared to small business and home mortgage lending.

For the geographic distribution and borrower profile criterion, examiners placed more weight on small business lending followed by home mortgage lending, considering the number and dollar amount of loans originated or purchased. Student lending received the least weight due to the limited number of student loans within the AAs. Small farm loans do not represent a major product line and do not provide material support for conclusions or ratings; therefore, examiners did not include this information.

Since no trends exist between different years of data that materially affect applicable conclusions or ratings, this evaluation only presents 2020 small business and home mortgage lending data. However, examiners presented all years of data reviewed in the *Assessment Area Concentration* discussion. For all loan products reviewed, the *Geographic Distribution* and *Borrower Profile* discussions focus only on loans originated inside the AAs.

For the Community Development Test, examiners reviewed information provided by management on CDLs, QIs, and CD services from August 20, 2018, through September 27, 2021. QIs included new investments and donations, as well as prior period QIs still held by the bank.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SEB demonstrated a needs to improve performance under the Lending Test. The substantial majority of lending outside of the AAs outweighed the reasonable performance records regarding the Borrower Profile and Geographic Distribution and the more than reasonable LTD Ratio to support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and AA credit needs. Examiners considered the institution's business strategy and capacity to lend in determining this conclusion.

The average, net LTD ratio averaged 98.9 percent over the past 12 calendar quarters from September 30, 2018, to June 30, 2021. The ratio ranged from a low of 95.2 percent as of June 30, 2021, to a high of 100.9 percent as of September 30, 2019. Loan growth occurred mainly from private student loans and remained generally consistent through the period.

SEB maintained a ratio higher than those of similarly-situated institutions, as shown in the following table. Examiners could not identify a similarly-situated bank with a similar loan portfolio composition operating within the AAs due to the high volume of student loans in the portfolio. Therefore, examiners selected similarly-situated institutions based on asset size and geographic location. SEB's average, net LTD ratio over the review period reflects a greater ratio than all three of the institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2021 (\$000s)	Average, Net LTD Ratio (%)
SouthEast Bank – Farragut, Tennessee	2,197	98.9
First Volunteer Bank – Chattanooga, Tennessee	1,307	84.9
Citizens Bank – Elizabethton, Tennessee	1,066	88.0
Citizens National Bank – Sevierville, Tennessee	1,442	83.9
Source: Reports of Condition and Income (9/30/2018 through 6/30/2021)		

Assessment Area Concentration

A substantial majority of loans and other lending related activities are outside the institution's AAs. The level of student loans outside of the AAs primarily supports this conclusion.

The institution maintains a focus in student lending and has a business strategy of originating and purchasing student loans on a nationwide level, with an extremely limited proportion in the AA. The bank did originate a majority of small business and home mortgage loans within the AAs. Due to the continued level of student lending made outside of the AAs, this CRA criteria held a substantial amount of weight in determining overall conclusions.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$(000s)	%	\$(000s)	%	
Student Loans										
2018	21	0.5	4,430	99.5	4,451	1,559	0.5	290,907	99.5	292,466
2019	28	0.4	7,495	99.6	7,523	2,056	0.4	517,457	99.6	519,513
2020	24	0.3	7,703	99.7	7,727	1,950	0.3	593,009	99.7	594,959
Subtotal	73	0.4	19,628	99.6	19,701	5,565	0.4	1,401,373	99.6	1,406,938
Small Business										
2018	316	81.0	74	19.0	390	40,616	70.9	16,664	29.1	57,280
2019	315	80.6	76	19.4	391	45,587	70.6	19,001	29.4	64,588
2020	649	81.7	145	18.3	794	61,457	73.5	22,211	26.5	83,668
Subtotal	1,280	81.3	295	18.7	1,575	147,660	71.8	57,876	28.2	205,536
Home Mortgage										
2018	196	80.0	49	20.0	245	42,618	78.1	11,973	21.9	54,591
2019	181	81.9	40	18.1	221	76,323	78.9	20,358	21.1	96,681
2020	241	87.0	36	13.0	277	57,971	87.6	8,213	12.4	66,184
Subtotal	618	83.2	125	16.8	743	176,912	81.4	40,544	18.6	217,456
Source: Bank data Due to rounding, totals may not equal 100.0 percent										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. Reasonable performances in the Knoxville MSA AA, the Tennessee Non-MSA AAs, and the Cleveland MSA AA outweighed the poor performance in the Chattanooga MSA AA to support this conclusion.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes and individuals of different income levels (including LMI). Reasonable performances in the Knoxville MSA AA, the Chattanooga MSA AA, the Tennessee Non-MSA AAs, and the Cleveland MSA AA support this conclusion.

Response to Complaints

The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Testing rating.

COMMUNITY DEVELOPMENT TEST

SEB's CD performance demonstrates adequate responsiveness to CD needs in its AAs through CDLs, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the AAs. Examiners also considered broader regional or statewide activities since SEB effectively met the CD needs of its AAs.

Community Development Loans

SEB demonstrated excellent performance regarding CDLs. Since the prior evaluation, SEB originated 49 CDLs totaling approximately \$192.7 million. This level equates to 10.7 percent of average total assets of \$1.8 billion and 12.0 percent of average net loans of \$1.6 billion since the prior evaluation. The current level of CDLs has increased over the 4.9 percent of the institution's average total assets and 5.5 percent of average net loans noted at the prior evaluation.

The CDLs extended during the evaluation period demonstrate responsiveness to a variety of AA CD needs. For instance, CDLs helped to support economic development, affordable housing, and community service efforts in the AAs, all of which address identified needs.

The following table illustrates the CDLs by year and qualifying category.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018*	0	0	0	0	3	16,885	0	0	3	16,885
2019	7	11,609	0	0	6	13,069	1	1,002	14	25,680
2020	2	2,594	0	0	9	51,060	5	9,522	16	63,176
2021 YTD**	5	26,261	1	3,100	7	48,891	3	8,752	13	74,055
Total	14	40,464	1	3,100	25	129,905	9	19,276	49	192,745
Source: Bank data *Activity since August 20, 2018 **Year-to-date (YTD)										

The following table further illustrates the CDLs by AA.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Chattanooga MSA	2	2,551	0	0	13	52,060	3	8,752	18	63,363
Cleveland MSA	2	742	0	0	2	9,000	0	0	4	9,742
Tennessee Non-MSA	2	169	1	3,100	1	1,003	5	4,736	9	9,008
Knoxville MSA	4	13,053	0	0	8	66,592	1	5,788	13	85,433
Statewide Activities	1	11,000	0	0	1	1,250	0	0	2	12,250
Regional Activities	3	12,949	0	0	0	0	0	0	3	12,949
Total	14	40,464	1	3,100	25	129,905	9	19,276	49	192,745
Source: Bank data (8/20/2018 through 9/27/2021) Due to rounding, some totals may vary by \$1,000 among related tables										

As noted above, SEB originated five statewide and regional CDLs which reflects 10.2 percent of the number and 13.1 percent of the dollar volume of the total CDLs.

The following provides an example of regional CD lending activity:

- **Affordable Housing** – In 2019, the bank originated a loan that was used to purchase and renovate a 110-unit apartment complex that is benefiting the entire region. All tenants in the complex are approved for and will be utilizing Section 8 housing vouchers.

Qualified Investments

The institution displayed an adequate record regarding its QIs. Adequate performance regarding the dollar volume of QIs with a majority directed towards affordable housing and economic development primarily supports this conclusion.

SEB made 143 QIs, grants, and donations totaling \$9.1 million. By dollar volume, the QIs represent approximately 0.5 percent of average total assets. This represents a slight decrease from the prior

evaluation, in which QIs represented approximately 0.6 percent of average total assets. This figure cannot be compared to average total securities since the bank has not had any securities since the prior examination.

The QIs during the evaluation period demonstrate responsiveness to a variety of AA CD needs. For instance, QIs helped to support economic development, affordable housing, and community service efforts in the AAs, all of which address identified needs.

The following table shows the breakout of activities by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development*		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2018*	0	0	0	0	1	500	0	0	1	500
2019	1	2,162	0	0	0	0	0	0	1	2,162
2020	0	0	0	0	0	0	0	0	0	0
2021 YTD	1	1,632	0	0	1	2,800	0	0	2	4,432
Subtotal	2	3,794	0	0	2	3,300	0	0	4	7,094
Grants & Donations	11	36	98	1,330	23	627	7	13	139	2,132
Total	13	3,830	98	1,330	25	3,927	7	13	143	9,100
<i>Source: Bank data</i>										
<i>*Activity since August 20, 2018</i>										

The following table further illustrates the QIs by AA.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Chattanooga MSA	0	0	11	157	5	231	1	0	17	388
Cleveland MSA	0	0	9	155	1	1	1	0	11	156
Tennessee Non-MSA	2	0	34	259	10	8	4	4	50	271
Knoxville MSA	11	3,830	44	759	7	387	1	10	63	4,986
Regional Activities	0	0	0	0	2	3,300	0	0	2	3,300
Total	13	3,830	98	1,330	25	3,927	7	14	143	9,100
<i>Source: Bank data</i>										

A notable example of the QI activity includes:

- **Economic Development** – In 2021, the bank made a \$2.8 million dollar QI through a Small Business Investment Corporation benefiting small businesses.

Community Development Services

The bank established a good record of providing CD services. The good performance regarding the types of services and performance pertaining to availability of services primarily supports this conclusion. Examiners evaluated the types and availability of services relative to the conclusions noted for the Community Development Test when arriving at this conclusion.

The following table shows that the bank provided 124 CD services since the prior evaluation. All of the services involved bank employees using their financial or technical expertise to benefit organizations or projects with a primary purpose consistent with CD. This represents an increase from the 53 instances provided over the same time period during the previous evaluation.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018*	3	13	7	2	25
2019	5	21	7	1	34
2020	3	16	5	2	26
2021 YTD	4	26	6	3	39
Total	15	76	25	8	124
<i>Source: Bank data</i>					
<i>*Activity since August 20, 2018</i>					

The following table further illustrates the CD services by AA.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Chattanooga MSA	2	2	4	1	9
Cleveland MSA	0	7	0	0	7
Tennessee Non-MSA	0	26	17	5	48
Knoxville MSA	13	41	4	2	60
Total	15	76	25	8	124
<i>Source: Bank data (8/20/2018 through 9/27/2021)</i>					

A notable example of the CD service activities include:

- ***Affordable Housing*** – A bank employee serves as the Board Chair of an organization that acquires and rehabs or builds units for sale and rent for affordable housing to LMI individuals. As the Board Chair, the employees provided homeowner education, financial fitness, and foreclosure counseling services.

SEB enhances credit availability through provision of retail banking services. SEB operates no branches in low-income CTs; however, the bank has three branches and ATMs in moderate-income

CTs. These figures compare favorably to the percentage of population residing in those areas as seen in the following table.

Branch and ATM Distribution by Geography Income Level												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	22	8.6	70,415	6.3	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	44	17.1	180,568	16.2	3	21.4	3	21.4	0	0.0	1	100.0
Middle	108	42.0	471,490	42.3	6	42.9	6	42.9	1	50.0	0	0.0
Upper	79	30.7	387,038	34.7	5	35.7	5	35.7	1	50.0	0	0.0
NA	4	1.6	5,675	0.5	0	0.0	0	0.0	0	0.0	0	0.0
Totals	257	100.0	1,115,186	100.0	14	100.0	14	100.0	2	100.0	1	100.0
<i>Source: 2015 ACS and Bank data</i> <i>Due to rounding, totals may not equal 100.0 percent</i>												

Furthermore, due to the COVID-19 Pandemic, SEB changed their policy to cash stimulus checks for both account holders and non-customer accounts. Also, SEB offers hours and days of service consistent with the industry and the areas in which it operates. The alternative delivery systems available in all AAs include online banking, mobile banking, telephone banking, and debit cards. These alternative delivery systems help the bank's services reach LMI individuals and geographies.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The FDIC lowered the CRA rating from Needs to Improve to Substantial Noncompliance due to discriminatory lending practices present in a primary loan product of the bank during the review period for this CRA evaluation. Examiners identified a substantive violation of Equal Credit Opportunity pertaining to the lending practices on the basis of underwriting, which prohibits discrimination in lending.

Consistent with CRA, regulators must consider discriminatory and other illegal credit practices violations when arriving at the final CRA Rating. Examiners considered the following factors to determine the impact on the rating: the nature and extent of the violation; policies and procedures in place to prevent the practice; corrective action by the bank, taken or committed to take; and other relevant information. Upon identification of the violation, management ceased the practice and committed to corrective measures to prevent future violations; however, due to the nature and extent of the violation, the CRA Rating was negatively impacted.

KNOXVILLE MSA AA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE KNOXVILLE MSA AA

The Knoxville MSA AA consists of all 122 CTs that make up Knox and Loudon Counties and represents two of eight counties in the Knoxville, Tennessee MSA. These CTs reflect the following income designations according to the 2015 ACS data: nine low-, 23 moderate-, 48 middle-, 40 upper-, and two tracts with no income designation.

Economic and Demographic Data

The lending opportunities are widely available throughout moderate-, middle-, and upper-income geographies based on the disbursement of population, housing units, and businesses. However, lending opportunities are somewhat limited in the AA due to the percentage of families (10.8 percent) living below the poverty level. The following table presents select demographic, housing, and economic information.

Demographic Information of the Assessment Area						
Assessment Area: Knoxville MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	122	7.4	18.9	39.3	32.8	1.6
Population by Geography	494,577	5.8	17.6	40.7	34.7	1.1
Housing Units by Geography	220,263	6.4	19.3	41.3	33.0	0.1
Owner-Occupied Units by Geography	130,942	2.8	12.9	44.2	40.1	0.0
Occupied Rental Units by Geography	69,796	12.7	29.9	35.9	21.3	0.1
Vacant Units by Geography	19,525	8.0	24.0	40.9	26.9	0.3
Businesses by Geography	39,178	4.2	14.6	34.8	45.9	0.5
Farms by Geography	971	2.3	15.0	41.9	40.3	0.5
Family Distribution by Income Level	125,362	20.1	15.6	19.4	44.9	0.0
Household Distribution by Income Level	200,738	22.8	15.7	16.0	45.5	0.0
Median Family Income MSA - 28940 Knoxville, TN MSA		\$59,829	Median Housing Value			\$169,776
			Median Gross Rent			\$789
			Families Below Poverty Level			10.8%
Source: 2015 ACS and 2020 D&B data Due to rounding, totals may not equal 100.0 percent (*) The NA category consists of geographies that have not been assigned an income classification						

The following table reflects the median family income (MFI) ranges according to the Federal Financial Institutions Examination Council (FFIEC) in the Knoxville MSA AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Knoxville, TN MSA Median Family Income (28940)				
2018 (\$64,100)	<\$32,050	\$32,050 to <\$51,280	\$51,280 to <\$76,920	≥\$76,920
2019 (\$65,000)	<\$32,500	\$32,500 to <\$52,000	\$52,000 to <\$78,000	≥\$78,000
2020 (\$67,200)	<\$33,600	\$33,600 to <\$53,760	\$53,760 to <\$80,640	≥\$80,640
Source: FFIEC				

As shown in the following table, data obtained from the U.S. Bureau of Labor Statistics reveals the unemployment rates for the two counties within the Knoxville MSA AA. The unemployment rates for both counties significantly increased between 2018 and 2020 primarily due to the COVID-19 Pandemic. However, the unemployment rates for both counties remained below the State and the national average.

Unemployment Rates			
Area	December 2018	December 2019	December 2020
	%	%	%
Knox County	2.6	2.7	4.7
Loudon County	3.0	3.3	5.1
Tennessee	3.4	3.6	5.6
National Average	3.9	3.6	6.7
Source: Bureau of Labor Statistics			

According to Chamber Corporate files, the top employers in Knox and Loudon Counties include Covenant Health, University of Tennessee, Knox County Schools, Malibu Boats, Loudon County Government, Kimberly Clark Corporation, and Monterey Mushrooms.

The Federal Emergency Management Agency (FEMA) designated the following areas in the Knoxville MSA AA as disaster areas:

- Knox and Loudon Counties on April 17, 2019, for severe storms, flooding, landslides, and mudslides.
- Knox and Loudon Counties on April 2, 2020, for the COVID-19 Pandemic.

Competition

There is a relatively high level of banking competition within the Knoxville MSA AA. According to the *FDIC's June 30, 2020, Summary of Deposits Report*, there are 33 financial institutions operating 157 banking offices in this AA. SEB ranked sixth among the institutions in the AA and held a deposit market share of 4.4 percent. The top financial institution accounted for 91.7 percent of the deposit market share.

There is a very high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in this area. Most of the lenders operating in the area are subject to the reporting requirements of HMDA, including SEB. In 2020, there were 399 lenders

that reported a total of 31,950 residential mortgage loans originated or purchased totaling \$7.7 billion. SEB ranked 54th out of this group of lenders, with 0.3 percent of the market share.

Community Contact(s)

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying credit and CD needs. This information helps determine local financial institutions' responsiveness to these needs and shows available credit and CD opportunities.

A recent community contact, who serves the Knoxville MSA AA, indicated that while the housing stock in the area is currently sufficient, it is not affordable to LMI families. Additionally, the AA has experienced challenges attracting builders for affordable housing projects. As a result of the COVID-19 Pandemic, the AA, like other areas, has experienced an increase in unemployment. The contact stated that the minority communities have seen a greater impact as these communities were experiencing significantly higher unemployment rates prior to the COVID-19 Pandemic. The contact indicated that the need for support from local banks in building business relationships with minority-owned small businesses in the area.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, as well as demographic and economic data, examiners concluded the primary credit needs of the AA include small business and home mortgage loans. Examiners determined the need for small business loans based on the high percentage of small businesses with four or fewer employees and the significant majority of businesses reporting gross annual revenues (GARs) of \$1 million or less in the AA. The homeownership rate in the AA is higher than the national average, indicating a high level of opportunity for home mortgage lending. Additionally, the high median age of housing stock in the AA, at 37 years, is indicative of a potential need for home improvement or home renovation loans.

There are also opportunities for CD lending and investment activities to support affordable housing and small business growth. Examiners determined the need for CDLs and investment activity which supports affordable housing based on the percentage of LMI families, the high median housing value, and relatively high rental rates within the AA. Information obtained from the local community contact also indicated opportunities for banks to partner with local non-profit or government organizations to provide CDLs or investments to support affordable housing projects and economic development efforts in the area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE KNOXVILLE MSA AA

LENDING TEST

SEB demonstrated reasonable performance under the Lending Test for the Knoxville MSA AA. Reasonable performance regarding geographic distribution and borrower profile support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Knoxville MSA AA. The reasonable performances for small business and home mortgage loans outweighed the poor performance for student loans.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the Knoxville MSA AA. Reasonable performances in the LMI CTs support this conclusion. Examiners focused on the comparison to the percentage of businesses when arriving at this conclusion.

The following table shows that in low-income CTs, the lending trailed demographic data by 2.0 percentage points, reflecting reasonable performance. Additionally, in moderate-income CTs, the lending trailed demographic data by 6.9 percentage points, also reflecting reasonable performance.

Geographic Distribution of Small Business Loans					
Assessment Area: Knoxville MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	4.2	5	2.2	219	1.0
Moderate	14.6	17	7.7	1,537	6.7
Middle	34.8	79	35.6	6,530	28.3
Upper	45.9	120	54.1	14,645	63.5
Not Available	0.5	1	0.4	121	0.5
Totals	100.0	222	100.0	23,052	100.0
<i>Source: 2020 D&B data and Bank data Due to rounding, totals may not equal 100.0 percent</i>					

Home Mortgage Loans

The distribution of home mortgage loans in geographies of different income levels, including LMI CTs, reflects reasonable performance. Reasonable performances in LMI CTs supports this conclusion. Examiners focused on the comparison to aggregate data when arriving at this conclusion.

The following table shows that in low-income CTs, lending in low-income CTs exceeded the aggregate data by 2.2 percentage points, reflecting reasonable performance. In moderate-income CTs, lending exceeded aggregated data by 7.1 percentage point, also reflecting reasonable performance.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Knoxville MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.8	1.8	4	4.0	404	1.4
Moderate	12.9	9.9	17	17.0	2,532	9.0
Middle	44.2	38.8	32	32.0	12,554	44.6
Upper	40.1	49.5	47	47.0	12,682	45.0
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	100	100.0	28,172	100.0
Source: 2015 ACS data, 2020 HMDA Aggregate data, and Bank data Due to rounding, totals may not equal 100.0 percent						

Student Loans

The geographic distribution of student loans reflects poor dispersion throughout the Knoxville MSA AA. Poor performances in both low- and moderate-income CTs support this conclusion.

The following table shows that the bank originated no student loans in low-income CTs, reflecting poor performance. In moderate-income CTs, the lending trails demographic data by 13.0 percentage points, also reflecting poor performance.

Geographic Distribution of Student Loans					
Assessment Area: Knoxville MSA					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low	6.3	0	0.0	0	0.0
Moderate	18.8	1	5.9	60	5.3
Middle	41.3	7	41.2	500	44.5
Upper	33.6	9	52.9	564	50.2
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	17	100.0	1,124	100.0
Source: 2015 ACS data and Bank data Due to rounding, totals may not equal 100.0 percent					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes and individuals of different income levels (including LMI). The reasonable performance for small business loans outweighed the poor performances for home mortgage and student loans to support this conclusion.

Small Business Loans

The distribution of small business loans, based on the borrowers' profile, reflects reasonable performance. Reasonable performance to businesses with GARs of \$1.0 million or less supports this conclusion.

The following table shows that in the Knoxville MSA AA, the bank originated over six loans out of every 10 small business loans to businesses with GARs of \$1.0 million or less, reflecting reasonable performance. Additionally, lending trails the D&B data by 21.9 percentage points, but is within a reasonable range.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Knoxville MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	83.2	136	61.3	8,329	36.1
>\$1,000,000	5.4	69	31.1	13,243	57.5
Revenue Not Available	11.4	17	7.6	1,480	6.4
Totals	100.0	222	100.0	23,052	100.0
<i>Source: 2020 D&B data and Bank data Due to rounding, totals may not equal 100.0 percent</i>					

Home Mortgage Loans

The distribution of borrowers reflects poor penetration among individuals of different income levels in the Knoxville MSA AA. The poor performance to moderate-income borrowers outweighs the reasonable performance to low-income borrowers to support this conclusion.

The following table shows the distribution of loans to low-income borrowers is slightly below the aggregate data by 1.7 percentage points, reflecting reasonable performance. The distribution of loans to moderate-income borrowers is significantly below the aggregate data by 8.7 percentage points, reflecting poor performance. Lending to moderate-income borrowers holds more weight since the aggregate performance to moderate-income borrowers is higher, suggesting more loan demand from these borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Knoxville MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.1	4.7	3	3.0	287	1.0
Moderate	15.6	14.7	6	6.0	785	2.8
Middle	19.4	18.8	8	8.0	1,734	6.2
Upper	44.9	44.9	56	56.0	17,947	63.7
Not Available	0.0	16.9	27	27.0	7,419	26.3
Totals	100.0	100.0	100	100.0	28,172	100.0
Source: 2015 ACS data, 2020 HMDA Aggregate data, and Bank data Due to rounding, totals may not equal 100.0 percent						

Student Loans

The distribution of borrowers, given the demographics of the AA, reflects poor penetration among individuals of different income levels in the Knoxville-MSA AA. A very poor penetration to low-income borrowers and a reasonable penetration to moderate-income borrowers support this conclusion.

The following table shows that no student loans were originated to low-income borrowers which trails demographic data by 22.8 percentage points, reflecting a very poor penetration. The lending to moderate-income borrowers is only slightly below demographic data at 3.9 percentage points, reflecting a reasonable performance.

Distribution of Consumer Loans by Borrower Income Level					
Assessment Area: Knoxville MSA					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low	22.8	0	0.0	0	0.0
Moderate	15.7	2	11.8	88	7.8
Middle	16.0	5	29.4	333	29.7
Upper	45.5	10	58.8	702	62.5
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	17	100.0	1,124	100.0
Source: 2015 ACS data and Bank data Due to rounding, totals may not equal 100.0 percent					

COMMUNITY DEVELOPMENT TEST

SEB's CD performance demonstrates adequate responsiveness to CD needs in the Knoxville MSA AA through CDLs, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the AA.

Community Development Loans

Since the prior evaluation, SEB originated 13 CDLs totaling approximately \$85.4 million in the Knoxville MSA AA.

By dollar volume, 77.9 percent of the CDLs in the Knoxville MSA AA provided economic development and 15.3 percent provided affordable housing. These CDLs demonstrate the responsiveness in supporting identified needs for affordable housing and economic development.

The following table illustrates the CDLs by year and purpose in the Knoxville MSA AA.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	3	16,885	0	0	3	16,885
2019	2	214	0	0	1	581	0	0	3	795
2020	1	180	0	0	2	23,725	1	5,788	4	29,693
2021	1	12,659	0	0	2	25,401	0	0	3	38,060
Total	4	13,053	0	0	8	66,592	1	5,788	13	85,433
<i>Source: Bank data (8/20/2018 through 9/27/2021)</i>										

The following points provide examples of the CDLs in the Knoxville MSA AA.

- ***Economic Development*** – In 2020, the bank originated a \$3.7 million loan for a strip mall that will create jobs for LMI individuals.
- ***Affordable Housing*** – In 2020, the bank originated an \$180,000 loan to renovate a building that will provide a four-apartment complex. Each unit has two bedrooms. The rents for this apartment complex provide affordable housing to LMI individuals.

Qualified Investments

SEB made 63 QIs totaling \$5.0 million in the Knoxville MSA AA. The QIs supported all categories of CD, including affordable housing and economic development, showing the responsiveness to identified needs. The majority of the funds help to support revitalization efforts in the AA.

The following table illustrates the QIs by year and purpose in the Knoxville MSA AA.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development*		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	1	2,162	0	0	0	0	0	0	1	2,162
2020	0	0	0	0	0	0	0	0	0	0
2021	1	1,632	0	0	0	0	0	0	1	1,632
Subtotal	2	3,794	0	0	0	0	0	0	2	3,794
Grants & Donations	9	36	44	759	7	387	1	10	61	1,192
Total	11	3,830	44	759	7	387	1	10	63	4,986
<i>Source: Bank data (8/20/2018 through 9/27/2021)</i>										

The following point provides an example of the QIs in the Knoxville MSA AA.

- **Affordable Housing** – The bank made a \$1.6 million commitment to a small business investment company fund established to build an affordable housing project.

Community Development Services

During the evaluation period, bank employees provided 60 instances of financial expertise or technical assistance to various CD-related organizations in the Knoxville MSA AA. These CD services demonstrate the responsiveness in addressing identified CD needs by providing affordable housing and economic development.

The following table illustrates the CD services by year and purpose in the Knoxville MSA AA.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	3	7	1	0	11
2019	5	13	1	0	19
2020	3	12	1	1	17
2021	2	9	1	1	13
Total	13	41	4	2	60
<i>Source: Bank data (8/20/2018 through 9/27/2021)</i>					

The following points provide examples of the CD services in the Knoxville MSA AA.

- **Affordable Housing** – A bank employee is on the Real Estate Development Committee to an organization that provides affordable housing to LMI individuals.
- **Affordable Housing** – A bank employee is a Board member that provides affordable

housing to LMI individuals in Loudon County.

SEB operates no branches in low-income CTs; however, the bank has one branch and one ATM in moderate-income CTs. These figures compare reasonably to the percentage of population residing in those areas as seen in the following table. Since the previous evaluation, the bank opened the Fountain City Branch on July 19, 2019, located in a middle-income CT.

Branch and ATM Distribution by Geography Income Level												
Assessment Area: Knoxville MSA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	9	7.4	28,915	5.8	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	23	18.9	87,200	17.6	1	20.0	1	20.0	0	0.0	0	0.0
Middle	48	39.3	201,361	40.7	2	40.0	2	40.0	1	100.0	0	0.0
Upper	40	32.8	171,426	34.7	2	40.0	2	40.0	0	0.0	0	0.0
NA	2	1.6	5,675	1.2	0	0.0	0	0.0	0	0.0	0	0.0
Totals	122	100.0	494,577	100.0	5	100.0	5	100.0	1	100.0	0	100.0
<i>Source: 2015 ACS data and Bank data Due to rounding, totals may not equal 100.0 percent</i>												

SEB offers alternative delivery systems and services similar to those discussed in the bank-wide Community Development Services section of this evaluation.

TENNESSEE NON-MSA AA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE TENNESSEE NON-MSA AA

The Middle Tennessee and the Southeast Tennessee Non-MSA AAs were combined in the Tennessee Non-MSA AAs for this evaluation since there are no anomalies in performance between the AAs. The Tennessee Non-MSA AAs consist of all 34 CTs that make up McMinn, Meigs, Putnam, and Rhea Counties. These CTs reflect the following income designations according to the 2015 ACS data: seven moderate-, 20 middle-, and seven upper-income CTs.

Economic and Demographic Data

The following table contains select demographic data of the Tennessee Non-MSA AAs.

Demographic Information of the Assessment Area						
Assessment Area: Tennessee Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	34	0.0	20.6	58.8	20.6	0.0
Population by Geography	170,426	0.0	23.3	58.6	18.2	0.0
Housing Units by Geography	75,973	0.0	23.0	58.9	18.1	0.0
Owner-Occupied Units by Geography	45,490	0.0	14.1	65.0	20.9	0.0
Occupied Rental Units by Geography	21,374	0.0	41.6	45.1	13.4	0.0
Vacant Units by Geography	9,109	0.0	23.7	60.7	15.6	0.0
Businesses by Geography	10,073	0.0	27.5	48.4	24.1	0.0
Farms by Geography	362	0.0	14.1	69.1	16.9	0.0
Family Distribution by Income Level	44,053	22.1	16.7	18.9	42.3	0.0
Household Distribution by Income Level	66,864	26.1	16.2	15.3	42.4	0.0
Median Family Income Non-MSAs - TN		\$46,066	Median Housing Value			\$123,225
			Median Gross Rent			\$606
			Families Below Poverty Level			17.2%
Source: 2015 ACS data and 2020 D&B data Due to rounding, totals may not equal 100.0 percent (*) The NA category consists of geographies that have not been assigned an income classification						

The following table reflects the MFI ranges for the low-, moderate-, middle-, and upper-income categories in the Tennessee Non-MSA AAs.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
TN NA Median Family Income (99999)				
2018 (\$50,100)	<\$25,050	\$25,050 to <\$40,080	\$40,080 to <\$60,120	≥\$60,120
2019 (\$50,100)	<\$25,050	\$25,050 to <\$40,080	\$40,080 to <\$60,120	≥\$60,120
2020 (\$52,200)	<\$26,100	\$26,100 to <\$41,760	\$41,760 to <\$62,640	≥\$62,640
Source: FFIEC				

As shown in the following table, data obtained from the U.S. Bureau of Labor Statistics reveals the unemployment rate for McMinn, Meigs, Putnam, and Rhea Counties have significantly increased from 2018 to 2020 primarily due to the COVID-19 Pandemic. Putnam County is the only county that the year-end unemployment rate has remained below the State and the national average for all three years.

Unemployment Rates			
Area	December 2018	December 2019	December 2020
	%	%	%
McMinn County	3.7	4.0	5.9
Meigs County	4.3	5.8	6.5
Putnam County	3.1	3.3	5.3
Rhea County	5.4	5.5	7.6
Tennessee	3.4	3.6	5.6
National Average	3.9	3.6	6.7
<i>Source: Bureau of Labor Statistics</i>			

According to the Chattanooga Economic Development, the top employers in McMinn, Meigs, and Rhea Counties are Denso, Adient, Shaw Industries, Meigs County Schools, La-Z-Boy Furniture, TVA-Watts Bar Nuclear, and Suburban Manufacturing Company. According to Highland Economic Partnership, the top employers in Putnam County are Tennessee Technology University, Cookeville Regional Medical Center, and Perdue Farms.

FEMA designated the following areas in the Tennessee Non-MSA AAs as disaster areas:

- Rhea County on April 17, 2019, for severe storms, flooding, landslides, and mudslides.
- Putnam County on March 5, 2020, for severe storms, tornadoes, straight-line winds, and flooding.
- McMinn, Meigs, Putnam, and Rhea Counties on April 2, 2020, for the COVID-19 Pandemic.

McMinn County had eight CTs designated as distressed due to poverty from 2018 through 2021. Similarly, Meigs County had two CTs designated as distressed due to poverty from 2018 through 2021.

Competition

There is a relatively high level of banking competition within the Tennessee Non-MSA AAs. According to the *FDIC's June 30, 2020, Summary of Deposit Report*, there are 22 financial institutions operating 56 banking offices in these AAs. SEB ranked first among the institutions in the AAs and held a deposit market share of 16.4 percent.

There is a very high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in these areas. Most of the lenders operating in these areas are subject to the reporting requirements of HMDA, including SEB. In 2020, there were 232 lenders that reported a total of 6,339 residential mortgage loans originated or purchased totaling \$1.2 million. SEB ranked 30th out of this group of lenders, with 0.9 percent of the market share.

Community Contact(s)

A community member was contacted who represented a non-profit organization that provides community services toward LMI individuals. The community contact spoke on the poverty in the

local area and the need for affordable housing, financial literacy programs, and low-cost checking accounts.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, and demographic information, examiners ascertained the primary credit needs of the AAs include small business and home mortgage loans. With respect to area CD needs, demographic data supports the need for projects that provide affordable housing, community services including financial education targeted to LMI individuals, and economic development for small businesses.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE TENNESSEE NON-MSA AA

For the Tennessee Non-MSA AAs, examiners did not review student lending performance, as there was a limited level of student loans in these AAs.

LENDING TEST

SEB demonstrated a reasonable Lending Test record in the Tennessee Non-MSA AAs. Reasonable performance regarding geographic distribution and borrower profile supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Tennessee Non-MSA AAs. The reasonable performances for small business and home mortgage loans support this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the Tennessee Non-MSA AAs. The reasonable performance in moderate-income CTs supports this conclusion.

The following table shows the level of small business loans within the moderate-income CTs is above the demographic data by 8.1 percentage points, reflecting reasonable performance.

Geographic Distribution of Small Business Loans					
Assessment Area: Tennessee Non-MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	27.5	78	35.6	6,557	33.8
Middle	48.4	104	47.5	10,342	53.2
Upper	24.1	37	16.9	2,534	13.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	219	100.0	19,433	100.0
Source: 2020 D&B data and Bank data. Due to rounding, totals may not equal 100.0 percent					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Tennessee Non-MSA AAs. The reasonable performance in moderate-income CTs supports this conclusion.

The following table shows lending in moderate-income CTs exceeds aggregate data by 7.9 percentage points, reflecting reasonable performance.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Tennessee Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.0	0.0	0	0.0	0	0.0
Moderate	14.1	13.2	12	21.1	1,847	22.4
Middle	65.0	65.1	34	59.6	4,814	58.3
Upper	20.9	21.7	11	19.3	1,595	19.3
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	57	100.0	8,256	100.0
Source: 2015 ACS data, 2020 HMDA Aggregate data, and Bank data Due to rounding, totals may not equal 100.0 percent						

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among businesses of different sizes and individuals of different income levels (including LMI). Reasonable performances for small business and home mortgage loans support this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration to businesses of different sizes in the Tennessee Non-MSA AAs. The reasonable level of lending to businesses with GARs of \$1.0 million or less supports this conclusion.

The following table shows that the bank provided almost six out of every 10 small business loans to businesses with GARs of \$1.0 million or less, reflecting reasonable performance. While lending trails the D&B data by 24.1 percentage points, examiners considered the level of lending with Revenue Not Available, which corresponds with the loans originated under the SBA PPP implemented as a response to the COVID-19 Pandemic. Considering this level, the lending further supports reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Tennessee Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
Or <=\$1,000,000	82.5	128	58.4	8,014	41.2
>\$1,000,000	4.5	53	24.2	7,473	38.5
Revenue Not Available	13.1	38	17.4	3,946	20.3
Totals	100.0	219	100.0	19,433	100.0
<i>Source: 2020 D&B data and Bank data Due to rounding, totals may not equal 100.0 percent</i>					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels in the Tennessee Non-MSA AAs. Reasonable performances for both LMI borrowers support this conclusion.

The following table shows the lending to low-income borrowers is higher than aggregate data by 4.0 percentage points, reflecting reasonable performance. The lending to moderate-income borrowers trails aggregate by only 1.1 percentage points, reflecting reasonable performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Tennessee Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.1	3.0	4	7.0	363	4.4
Moderate	16.7	11.6	6	10.5	400	4.9
Middle	18.9	20.5	15	26.3	1,867	22.6
Upper	42.3	42.8	30	52.7	5,345	64.7
Not Available	0.0	22.1	2	3.5	281	3.4
Totals	100.0	100.0	57	100.0	8,256	100.0
Source: 2015 ACS data, 2020 HMDA Aggregate data, and Bank data Due to rounding, totals may not equal 100.0 percent						

COMMUNITY DEVELOPMENT TEST

SEB's CD performance demonstrates adequate responsiveness to CD needs in the Tennessee Non-MSA AAs through CDLs, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the AAs.

Community Development Loans

Since the prior evaluation, SEB originated nine CDLs totaling approximately \$9.0 million in the Tennessee Non-MSA AAs. The CDLs demonstrate the responsiveness in supporting identified needs for activities that support community services, economic development, and affordable housing.

The following table illustrates the CDLs by year and purpose in the Tennessee Non-MSA AAs.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	0	0	0	0	0	0
2019	2	169	0	0	0	0	1	1,002	3	1,171
2020	0	0	0	0	0	0	4	3,374	4	3,734
2021	0	0	1	3,100	1	1,003	0	0	2	4,103
Total	2	169	1	3,100	1	1,003	5	4,736	9	9,008
Source: Bank data (8/20/2018 through 9/27/2021)										

The following point provides an example of the CDLs in the Tennessee Non-MSA AAs.

- **Affordable Housing** – In 2019, the bank originated a line of credit for \$107,600 that was used to renovate a residential property in a moderate-income CT that will provide affordable

housing to an LMI individual.

Qualified Investments

SEB made 50 QIs totaling \$271,000 in the Tennessee Non-MSA AAs. This total consists entirely of new grants and donations that helped support community service and economic development efforts in the AAs. These QIs demonstrate the responsiveness in supporting identified needs for community services, economic development, and affordable housing.

The following table illustrates the QIs by year and purpose in the Tennessee Non-MSA AAs.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development*		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0
Grants & Donations	2	0	34	259	10	8	4	4	50	271
Total	2	0	34	259	10	8	4	4	50	271
<i>Source: Bank data (8/20/2018 through 9/27/2021)</i>										

The following is an example of the grants and donations in the Tennessee Non-MSA AAs.

- ***Community Services*** – In 2020, SEB donated \$30,000 to a college that will support need-based scholarships to students. This donation helped to support community services geared towards LMI individuals in the AAs.

Community Development Services

During the evaluation period, bank employees provided 48 instances of financial expertise or technical assistance to various CD-related organizations in the Tennessee Non-MSA AAs. These CD services demonstrate the responsiveness in addressing identified CD needs through community services and economic development.

The following table illustrates the CD services by year and purpose in the Tennessee Non-MSA AAs.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	5	6	2	13
2019	0	7	5	1	13
2020	0	4	3	1	8
2021	0	10	3	1	14
Total	0	26	17	5	48
<i>Source: Bank data (8/20/2018 through 9/27/2021)</i>					

The following lists an example of the CD services in the Tennessee Non-MSA AAs.

- **Community Services** – A bank employee serves as a Board member that provides financial expertise to an organization that provides free medical care to LMI individuals.

SEB enhances credit availability through retail banking services. SEB operates two branches and two ATMs in moderate-income CTs in these AAs. These figures compare favorably to the percentage of population residing in those areas as seen in the following table. Since the previous evaluation, the bank closed a limited-service facility in Ten Mile, Tennessee on February 15, 2019, located in a moderate-income CT.

Branch and ATM Distribution by Geography Income Level												
Assessment Area: Tennessee Non-MSA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	7	20.6	39,660	23.3	2	33.3	2	33.3	0	0.0	1	100.0
Middle	20	58.8	99,801	58.5	3	50.0	3	50.0	0	0.0	0	0.0
Upper	7	20.6	30,965	18.2	1	16.7	1	16.7	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Totals	34	100.0	170,426	100.0	6	100.0	6	100.0	0	100.0	1	100.0
<i>Source: 2015 ACS data and Bank data Due to rounding, totals may not equal 100.0 percent</i>												

SEB offers alternative delivery systems and services similar to those discussed in the bank-wide Community Development Services section of this evaluation.

CLEVELAND MSA AA – FULL-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE CLEVELAND MSA AA

The Cleveland MSA AA consists of all 19 CTs that make up Bradley County and represents one of two counties in the Cleveland, Tennessee MSA. These CTs reflect the following income designations according to the 2015 ACS data: three low-, two moderate-, nine middle-, and five upper-income CTs.

Economic and Demographic Data

The following table contains select demographic data of the Cleveland MSA AA.

Demographic Information of the Assessment Area						
Assessment Area: Cleveland MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	15.8	10.5	47.4	26.3	0.0
Population by Geography	102,062	10.8	6.4	44.4	38.4	0.0
Housing Units by Geography	42,258	10.9	5.9	45.5	37.7	0.0
Owner-Occupied Units by Geography	25,108	4.7	3.2	45.6	46.4	0.0
Occupied Rental Units by Geography	13,358	21.4	10.1	45.1	23.4	0.0
Vacant Units by Geography	3,792	14.5	9.4	45.4	30.7	0.0
Businesses by Geography	7,069	7.7	11.0	48.5	32.9	0.0
Farms by Geography	240	0.8	2.9	46.7	49.6	0.0
Family Distribution by Income Level	26,469	22.2	16.8	18.4	42.6	0.0
Household Distribution by Income Level	38,466	24.2	16.1	16.2	43.4	0.0
Median Family Income MSA - 17420 Cleveland, TN MSA		\$52,007	Median Housing Value			\$143,104
			Median Gross Rent			\$707
			Families Below Poverty Level			15.1%
Source: 2015 ACS data and 2020 D&B data Due to rounding, totals may not equal 100.0 percent (*) The NA category consists of geographies that have not been assigned an income classification						

The following table reflects the MFI ranges for the low-, moderate-, middle-, and upper-income categories in the Cleveland MSA AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cleveland, TN MSA Median Family Income (17420)				
2018 (\$59,100)	<\$29,550	\$29,550 to <\$47,280	\$47,280 to <\$70,920	≥\$70,920
2019 (\$57,700)	<\$28,850	\$28,850 to <\$46,160	\$46,160 to <\$69,240	≥\$69,240
2020 (\$61,400)	<\$30,700	\$30,700 to <\$49,120	\$49,120 to <\$73,680	≥\$73,680
Source: FFIEC				

As shown in the following table, data obtained from the U.S. Bureau of Labor Statistics reveals the unemployment rate for Bradley County have significantly increased from 2018 to 2020 mainly due to the COVID-19 Pandemic. However, Bradley County's year-end unemployment rate has remained below the State and the national average for all three years.

Unemployment Rates			
Area	December 2018	December 2019	December 2020
	%	%	%
Bradley County	3.1	3.2	5.5
Tennessee	3.4	3.6	5.6
National Average	3.9	3.6	6.7
Source: Bureau of Labor Statistics			

According to the Cleveland Bradley County Economic Development Council, the top employers in Bradley County are Whirlpool, Bradley County Schools, Tennova, and Jackson Furniture.

FEMA designated the following areas in the Cleveland MSA AA as disaster areas:

- Bradley County on April 2, 2020, for the Covid-19 Pandemic.

Competition

There is a relatively high level of banking competition within the Cleveland MSA AA. According to the *FDIC's June 30, 2020, Summary of Deposit Report*, there are 11 financial institutions operating 26 banking offices in this AA. SEB ranked seventh among the institutions in the AA and held a deposit market share of 6.7 percent. The top five financial institution accounted for 62.2 percent deposit market share.

There is a very high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in this area. Most of the lenders operating in the area are subject to the reporting requirements of HMDA, including SEB. In 2020, there were 259 lenders that reported a total of 5,227 residential mortgage loans originated or purchased totaling \$1.1 million. SEB ranked 40th out of this group of lenders, with a 0.4 percent market share.

Community Contact(s)

Examiners contacted a representative from an economic development organization. The contact primarily serves rural areas in East Tennessee, which includes Bradley County. The organization provides guaranteed loans focusing on rural development.

The contact described the demographics of the Cleveland MSA AA as being the most diverse with businesses. General banking and credit needs lie with small businesses looking to grow as well as capital needs as a result of the COVID-19 Pandemic. The contact indicated that financial institutions are not as involved with the community as they could be. While the contact did not experience any negative interactions, it appears that local banks may tend to favor lending to businesses requesting larger dollar loans. The contact indicated that, as an alternative, local community banks could work together to take on customers with increased risks or partner with local economic development organizations.

Credit and Community Development Needs and Opportunities

Considering information obtained from the community contact, bank management, and demographic information, examiners ascertained the primary credit need of the AA includes small business loans. With respect to the area's CD needs, demographic data supports the need for projects that provide affordable housing, community services including financial education targeted to LMI individuals, and economic development for small businesses.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CLEVELAND MSA AA

For the Cleveland MSA AA, examiners did not review student lending performance, as there was a limited level of student loans in this AA.

LENDING TEST

SEB demonstrated a reasonable Lending Test record in the Cleveland MSA AA. Reasonable performances regarding geographic distribution and borrower profile support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Cleveland MSA AA. The reasonable performances for small business and home mortgage loans support this conclusion.

Small Business

The geographic distribution of small business loans reflects reasonable dispersion throughout the Cleveland MSA AA. Reasonable performances in both LMI CTs support this conclusion.

The following table shows that in low-income CTs, the lending was 3.5 percentage points below the demographic data, reflecting reasonable performance. Additionally, in moderate-income CTs, the lending exceeded demographic data by 7.0 percentage points, also reflecting reasonable performance.

Geographic Distribution of Small Business Loans					
Assessment Area: Cleveland MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	7.7	3	4.2	631	11.9
Moderate	11.0	13	18.3	744	14.1
Middle	48.5	23	32.4	2,848	53.9
Upper	32.9	32	45.1	1,059	20.1
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	71	100.0	5,282	100.0
<i>Source: 2020 D&B data and Bank data</i> <i>Due to rounding, totals may not equal 100.0 percent</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Cleveland MSA AA. The reasonable performances in both LMI CTs support this conclusion.

The following table shows that in low-income CTS, the lending exceeded aggregate data by 5.2 percentage points, reflecting reasonable performance. In the moderate-income CTs, the bank did not originate any loans; however, this only trails aggregate data by 3.8 percentage points, reflecting reasonable performance.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Cleveland MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.7	3.5	2	8.7	347	9.0
Moderate	3.2	3.8	0	0.0	0	0.0
Middle	45.6	43.4	10	43.5	1,713	44.1
Upper	46.4	49.3	11	47.8	1,822	46.9
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	23	100.0	3,882	100.0
<i>Source: 2015 ACS data, 2020 HMDA Aggregate data, and Bank data</i> <i>Due to rounding, totals may not equal 100.0 percent</i>						

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among businesses of different sizes and individuals of different income levels (including LMI). Reasonable performances for small business and home mortgage loans support this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes in the Cleveland MSA AA. The reasonable level of lending to businesses with GARs of \$1.0 million or less supports this conclusion.

The following table shows that over six out of every 10 small business loans were made to businesses with GARs of \$1.0 million or less, reflecting reasonable performance. The lending trails the D&B data by 20.0 percentage points and examiners considered the level of lending with Revenue Not Available, which corresponds with the loans originated under the SBA PPP implemented as a response to the COVID-19 Pandemic. Considering this level, the lending further supports reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Cleveland MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.8	46	64.8	2,497	47.3
>\$1,000,000	4.6	16	22.5	2,526	47.8
Revenue Not Available	10.6	9	12.7	259	4.9
Totals	100.0	71	100.0	5,282	100.0
<i>Source: 2020 D&B data and Bank data Due to rounding, totals may not equal 100.0 percent</i>					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels in the Cleveland MSA AA. The reasonable level of lending to both LMI borrowers supports this conclusion.

The following table shows that the lending to low-income borrowers exceeded the aggregate data by 9.2 percentage points, reflecting reasonable penetration. The lending to moderate-income borrowers exceeded aggregate data by 5.7 percentage points, reflecting reasonable penetration. Lending to moderate-income borrowers holds more weight since the aggregate performance to moderate-income borrowers is higher, suggesting more loan demand from these borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Cleveland MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.2	3.9	3	13.1	210	5.4
Moderate	16.8	16.0	5	21.7	626	16.1
Middle	18.4	20.0	6	26.1	1,098	28.3
Upper	42.6	34.8	9	39.1	1,948	50.2
Not Available	0.0	25.3	0	0.0	0	0.0
Totals	100.0	100.0	23	100.0	3,882	100.0
Source: 2015 ACS data, 2020 HMDA Aggregate data, and Bank data Due to rounding, totals may not equal 100.0 percent						

COMMUNITY DEVELOPMENT TEST

SEB's CD performance demonstrates adequate responsiveness to CD needs in the Cleveland MSA AA through CDLs, QIs, and CD services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for CD in the AA.

Community Development Loans

Since the prior evaluation, SEB originated four CDLs totaling approximately \$9.7 million in the Cleveland MSA AA. The CDLs demonstrate the responsiveness in supporting identified needs for economic development as well as affordable housing.

The following table illustrates the CDLs by year and purpose in the Cleveland MSA AA.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	0	0	0	0	0	0
2019	1	89	0	0	0	0	0	0	1	89
2020	0	0	0	0	2	9,000	0	0	2	9,000
2021	1	652	0	0	0	0	0	0	1	652
Total	2	741	0	0	2	9,000	0	0	4	9,741
Source: Bank data (8/20/2018 through 9/27/2021)										

The following point provides an example of the CDLs in the Cleveland MSA AA.

- **Affordable Housing** – In 2021, the bank originated a loan to purchase lots and complete infrastructure of the land. The lots will qualify for the United States Department of Agriculture Rural Development affordable housing.

Qualified Investments

SEB made 11 QIs totaling \$156,000 in the Cleveland MSA AA. This total consists entirely of new grants and donations that helped support community service and economic development efforts in the AA. These QIs demonstrate the responsiveness by addressing identified needs in the AA.

The following table illustrates the QIs by year and purpose in the Cleveland MSA AA.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development*		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0
Grants & Donations	0	0	9	155	1	1	1	0	11	156
Total	0	0	9	155	1	1	1	0	11	156
<i>Source: Bank data (8/20/2018 through 9/27/2021)</i>										

The following list an example of the grants and donations in the Cleveland MSA AA.

- **Community Services** – In 2020, SEB donated \$20,000 to a college that will support need-based scholarships to students. This donation helped to support community services geared towards LMI individuals in the AA.

Community Development Services

During the evaluation period, bank employees provided seven instances of financial expertise or technical assistance to various CD-related organizations in the Cleveland MSA AA. These CD services demonstrate the responsiveness in addressing an identified CD need by providing community services.

The following table illustrates the CD services by year and purpose in the Cleveland MSA AA.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	0	0	0	0
2019	0	0	0	0	0
2020	0	0	0	0	0
2021	0	7	0	0	7
Total	0	7	0	0	7
<i>Source: Bank data (8/20/2018 through 9/27/2021)</i>					

The following lists examples of the CD services in the Cleveland-MSA AA.

- **Community Services** – A bank employee serves as a committee member that provides financial expertise to an organization that provides education, economic development, and neighborhood safety to LMI individuals.

SEB enhances credit availability through provision of retail banking services. SEB does not operate any branches or ATMs in a LMI CTs in this AA. These figures are lower than the percentage of population residing in those areas as seen in the following table, but there is only one office. Since the previous evaluation, the bank has not closed or opened any branches in the Cleveland MSA AA.

Branch and ATM Distribution by Geography Income Level												
Assessment Area: Cleveland MSA												
Tract Income Level	Census Tracts		Population		Branches		ATMs		Open Branches		Closed Branches	
	#	%	#	%	#	%	#	%	#	%	#	%
Low	3	15.8	11,012	10.8	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	2	10.5	6,540	6.4	0	0.0	0	0.0	0	0.0	0	0.0
Middle	9	47.4	45,276	44.4	1	100.0	1	100.0	0	0.0	0	0.0
Upper	5	26.3	39,234	38.4	0	0.0	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Totals	19	100.0	102,062	100.0	0	100.0	0	100.0	0	0.0	0	0.0
<i>Source: 2015 ACS data and Bank data Due to rounding, totals may not equal 100.0 percent</i>												

SEB offers alternative delivery systems and services similar to those discussed in the bank-wide Community Development Services section of this evaluation.

CHATTANOOGA MSA AA – LIMITED-SCOPE REVIEW

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE CHATTANOOGA MSA AA

The Chattanooga MSA AA consists of all 82 CTs that make up Hamilton County and represents one of three counties in the Chattanooga, Tennessee-Georgia MSA. These CTs reflect the following income designations according to the 2015 ACS data: 10 low-, 12 moderate-, 31 middle-, 27 upper-income, and two CTs with no income designation.

The following table includes select demographic data for the Chattanooga MSA AA.

Demographic Information of the Assessment Area						
Assessment Area: Chattanooga MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	82	12.2	14.6	37.8	32.9	2.4
Population by Geography	348,121	8.8	13.5	35.9	41.8	0.0
Housing Units by Geography	153,730	9.4	14.7	37.4	38.6	0.0
Owner-Occupied Units by Geography	87,922	4.2	11.7	37.2	46.9	0.0
Occupied Rental Units by Geography	48,397	16.3	18.9	38.2	26.6	0.0
Vacant Units by Geography	17,411	16.0	17.9	36.0	30.1	0.0
Businesses by Geography	35,214	7.8	14.6	36.0	41.3	0.3
Farms by Geography	810	5.6	11.4	39.0	44.1	0.0
Family Distribution by Income Level	88,629	20.2	17.0	18.9	44.0	0.0
Household Distribution by Income Level	136,319	23.9	15.6	17.0	43.4	0.0
Median Family Income MSA - 16860 Chattanooga, TN-GA MSA		\$58,694	Median Housing Value			\$159,123
			Median Gross Rent			\$769
			Families Below Poverty Level			11.3%
Source: 2015 ACS data and 2020 D&B data Due to rounding, totals may not equal 100.0 percent (*) The NA category consists of geographies that have not been assigned an income classification						

The following table shows the income ranges based on the 2020 FFIEC-estimated MFI of \$72,600 for the Chattanooga MSA AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Chattanooga, TN-GA MSA Median Family Income (16860)				
2018 (\$61,700)	<\$30,850	\$30,850 to <\$49,360	\$49,360 to <\$74,040	≥\$74,040
2019 (\$70,100)	<\$35,050	\$35,050 to <\$56,080	\$56,080 to <\$84,120	≥\$84,120
2020 (\$72,600)	<\$36,300	\$36,300 to <\$58,080	\$58,080 to <\$87,120	≥\$87,120
Source: FFIEC				

According to the Chattanooga Area Chamber of Commerce, major employers in Hamilton County include Hamilton County Schools, Blue Cross Blue Shield of Tennessee, Erlanger Hospital, and Tennessee Valley Authority.

The following table shows the applicable unemployment rates over the evaluation period.

Unemployment Rates			
Area	December 2018	December 2019	December 2020
	%	%	%
Hamilton County	2.9	3.2	5.5
Tennessee	3.4	3.6	5.6
National Average	3.9	3.6	6.7
Source: Bureau of Labor Statistics			

FEMA designated the following areas in the Chattanooga MSA AA as disaster areas:

- Hamilton County on April 24, 2019 for severe storms, flooding, landslides, and mudslides.
- Hamilton County on April 2, 2020 for the Covid-19 Pandemic.
- Hamilton County on April 24, 2020 for severe storms, tornadoes, straight-line winds, and flooding.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CHATTANOOGA MSA AA

For the Chattanooga MSA AA, examiners did not review student lending performance, as there was a limited level of student loans in this AA.

LENDING TEST

SEB's geographic distribution lending performance is below the institution's lending performance in the AAs within the MSAs that were reviewed using full-scope examination procedures. The institution's borrower profile lending performance is consistent with the institution's lending performance in the AAs within the MSAs that were reviewed using full-scope examination procedures.

Geographic Distribution

Small Business Loans

Geographic Distribution of Small Business Loans					
Assessment Area: Chattanooga MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	7.8	10	7.3	1,219	8.9
Moderate	14.6	8	5.8	2,130	15.6
Middle	36.0	54	39.4	6,040	44.1
Upper	41.3	65	47.5	4,301	31.4
Not Available	0.3	0	0.0	0	0.0
Totals	100.0	137	100.0	13,690	100.0
Source: 2020 D&B data and Bank data Due to rounding, totals may not equal 100.0 percent					

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Chattanooga MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.2	2.7	4	6.6	287	1.6
Moderate	11.7	8.6	5	8.2	1,495	8.5
Middle	37.2	34.8	14	22.9	2,879	16.3
Upper	46.9	54.0	38	62.3	13,000	73.6
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	61	100.0	17,662	100.0
Source: 2015 ACS data, 2020 HMDA Aggregate data, and Bank data Due to rounding, totals may not equal 100.0 percent						

Borrower Profile

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Chattanooga MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	85.8	90	65.7	6,415	46.9
>\$1,000,000	4.6	40	29.2	6,956	50.8
Revenue Not Available	9.6	7	5.1	319	2.3
Totals	100.0	137	100.0	13,690	100.0
<i>Source: 2020 D&B data and Bank data Due to rounding, totals may not equal 100.0 percent</i>					

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Chattanooga MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.2	5.2	0	0.0	0	0.0
Moderate	17.0	15.9	8	13.1	1,832	10.4
Middle	18.9	19.6	9	14.8	1,679	9.5
Upper	44.0	41.1	26	42.6	10,377	58.7
Not Available	0.0	18.2	18	29.5	3,775	21.4
Totals	100.0	100.0	61	100.0	17,662	100.0
<i>Source: 2015 ACS data, 2020 HMDA Aggregate data, and Bank data Due to rounding, totals may not equal 100.0 percent</i>						

COMMUNITY DEVELOPMENT TEST

SEB's CD performance in the Chattanooga MSA AA is consistent with the institution's CD performance in the AAs within the MSAs that were reviewed using full-scope examination procedures.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.